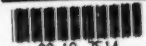

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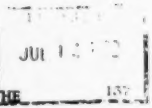
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q



QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 31, 1992

Commission File Number 0-19294

REHABCARE CORPORATION
(Exact name of Registrant as specified in its charter)

D (State or ou ion of incorporat ji ganization)	51-0265872 (I.R.S. Employer Identification No.)
112 South Hanley Road, St. Louis, Missouri 63105 (Address of principal executive offices and Zip Code)	
(314) 863-7422 (Registrant's telephone number, including area	

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Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding at July 10, 1992
Common Stock, par value $.01 per share	4,801,000

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REHABCARE CORPORATION

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PART I. - FINANCIAL INFORMATION

Item 1. - Condensed Financial Statements

REHABCARE CORPORATION

Condensed Balance Sheets

(Dollar amounts in thousands)

	May 31, 1992 (Unaudited)	February 29, 1992
Assets		
Current assets:		
Cash and cash equivalents	$ 2,950	$ 3,661
Marketable securities	6,750	6,761
Accounts receivable, less allowance for doubtful accounts of $128 and $729	6,769	5,926
Investment in and advances to joint venture	232	96
Prepaid expenses and other current assets	291	186
Total current assets	16,992	16,630
Equipment and leasehold improvements, net	1,329	1,359
Other assets:		
Excess of cost over net assets acquired, net	1,331	1,349
Deferred costs, net	727	797
Other	152	183
Total other assets	2,210	2,329
	$20,531	$20,318
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 812	$ 916
Accrued salaries and wages	2,308	2,565
Accrued expenses	371	268
Income taxes payable	32	315
Total current liabilities	3,523	4,064
Stockholders' equity:		
Preferred stock, $.10 par value, authorized 10,000,000 shares, no shares issued or outstanding	–	–
Common stock, $.01 par value; authorized 20,000,000 shares, issued 4,801,000 shares	48	48
Additional paid-in capital	13,469	13,469
Retained earnings	3,491	2,737
Total stockholders' equity	17,008	16,254
	$20,531	$20,318

See notes to condensed financial statements.

REHABCARE CORPORATION

Condensed Statements of Earnings

(Amounts in thousands, except per share data)

(Unaudited)

	Three Months Ended May 31,	
	1992	1991
Operating revenues	$11,863	$10,859
Costs and expenses:		
Operating	9,077	8,495
General and administrative	1,431	1,101
Depreciation and amortization	142	104
Total costs and expenses	10,650	9,700
Operating earnings	1,213	1,159
Interest income	119	12
Other expense	(139)	–
Earnings before income taxes	1,193	1,171
Income taxes	439	445
Net earnings	$ 754	$ 726
Net earnings per share	$ .16	$ .18
Weighted average number of common and common equivalent shares outstanding	4,818	4,030

See notes to condensed financial statements.

REHABCARE CORPORATION

Condensed Statements of Cash Flows

(Amounts in thousands)

(Unaudited)

	Three Months Ended May 31,	
	1992	1991
Cash flows from operating activities:		
Net earnings	$ 754	$ 726
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	142	104
Provision for losses on accounts receivable	58	54
Decrease (increase) in due from affiliate/former parent	(223)	1,051
Increase in accounts receivable	(902)	(444)
Increase in prepaid expenses and other	(104)	(56)
Increase (decrease) in accounts payable and accrued expenses	(1)	288
Increase (decrease) in accrued salaries and wages	(257)	41
Increase (decrease) in income taxes payable	(283)	106
	(1,570)	1,144
Net cash provided by (used in) operating activities	(816)	1,870
Cash flows from investing activities:		
Additions to equipment and leasehold improvements, net	(54)	(20)
Deferred costs, net	31	(171)
Purchase of investments	(1,492)	–
Sale of investments	1,503	–
Other, net	117	4
Net cash provided by (used in) investing activities	105	(187)
Cash flows from financing activities:		
Payment of dividend to former parent	–	(1,800)
Net cash used in financing activities	–	(1,800)
Net decrease in cash and cash equivalents	(711)	(117)
Cash and cash equivalents at beginning of period	3,661	204
Cash and cash equivalents at end of period	$ 2,950	$ 87

See notes to condensed financial statements.

REHABCARE CORPORATION

NOTES TO CONDENSED FINANCIAL STATEMENTS
(Unaudited)

Note 1 - Basis of Presentation

The condensed balance sheet as of May 31, 1992, and the related condensed statements of earnings and the statements of cash flows for the three months ended May 31, 1992 and 1991, are unaudited. In the opinion of management, all adjustments necessary for a fair presentation of such financial statements have been included. Such adjustments consisted only of normal recurring items. The results of operations for the three months ended May 31, 1992, are not necessarily indicative of the results to be expected for the full fiscal year. Certain prior period amounts have been reclassified to conform with current period presentation.

As of February 28, 1991, the Company was a wholly owned subsidiary of Comprehensive Care Corporation ("CompCare"). On July 3, 1991, 2,500,000 shares of the Company's common stock were sold to the public; 1,700,000 shares by CompCare and 800,000 newly issued shares by the Company. Details of the public offering are included in a registration statement filed with the Securities and Exchange Commission (Reg. No. 33-40467).

The condensed financial statements do not include all information and footnotes necessary for a complete presentation of financial position, results of operations and cash flows in conformity with generally accepted accounting principles. Reference is made to the Company's audited financial statements and the related notes as of February 29, 1992 and February 28, 1991, and for each of the years in the three-year period ended February 29, 1992, included in the Annual Report on Form 10-K on file with the Securities and Exchange Commission, which provide additional disclosures and a further description of accounting policies.

Note 2 - Contingency

The Company, together with CompCare, has undergone a federal payroll tax audit for the years 1987 and 1988. The Internal Revenue Service ("IRS") has asserted that certain medical professionals and others engaged as independent contractors by CompCare and the Company should have been treated as employees for payroll tax purposes. The IRS has proposed deficiencies in employment taxes against the Company in the amount of approximately $1,800,000, including penalties. The Company has filed a protest with the IRS in opposition to the proposed deficiencies. While the Company believes it has arguments in support of its position and will continue to defend that position, there can be no assurance that the Company will prevail in whole or in part. CompCare has agreed in a tax sharing agreement to defend the Company against any claims, and to indemnify it against any loss, on account of such employment tax issues for periods through fiscal 1991.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Statistical Information

	Three Months Ended May 31,	
	1992	1991
Patient days served	66,619	63,834
Average occupancy rate	74.5%	68.2%
Admissions	3,200	2,896
Average length of stay (days)	20.8	22.0
Total contracts in operation at end of period	48	51
Total beds available at end of period	979	1,022

Three Months Ended May 31, 1992 Compared to Three Months Ended May 31, 1991

Operating revenues during the first quarter of fiscal 1993 increased 9.2% to $11,863,000 from $10,859,000 in the first quarter of fiscal 1992. An increase in operating revenues per billable patient day of 3.7% and an increase in billable patient days of 5.3% from the comparable quarter last year accounted for substantially all of the increase in revenue. Although the average number of units exempt from the Medicare Prospective Payment System (PPS) declined from 47 in the first quarter of fiscal 1992 to 42 in the first quarter of fiscal 1993, the average daily census per unit for exempt units increased 14.9% from 14.1 to 16.2, thus generating a 2.8% increase in billable patient days to 62,069. Patient days at units not exempt from PPS increased 41.4% during the first quarter of the current year primarily due to an increase in the number of such units from the comparable period last year.

Operating expenses for the three-month periods compared increased overall by $582,000, or 6.9% to $9,077,000. Exempt units experienced an increase of $344,000, or 4.3%, in operating expenses to $8,371,000. Exempt units' operating expenses as a percentage of operating revenues decreased from 75.5% to 73.7%, reflecting both improved operating revenues and increased utilization.

General and administrative expenses increased $330,000, or 30.0% to $1,431,000, reflecting an escalation in business development expenditures compared to the previous year and administrative costs associated with operating as a separate public company.

Earnings before income taxes increased by $22,000, or 1.9%, compared to the prior year, to $1,193,000. The provision for income taxes for the first quarter of fiscal 1993 was $439,000, compared to $445,000 for 1992, reflecting effective income tax rates of 36.8% and 38.0% for the respective quarters. The reduced tax rate resulted from the investment of available funds in tax-exempt securities during fiscal 1993. Net earnings increased by $28,000, or 3.9%, to $754,000. Net earnings per share decreased by 2 cents to 16 cents as a result of the increase in the weighted average number of shares outstanding. See "Liquidity and Capital Resources."

Liquidity and Capital Resources

On July 3, 1991, the Company received net proceeds of approximately $9,533,000 pursuant to the sale of 800,000 shares of its common stock in an initial public offering. The proceeds have been invested primarily in short-term tax-exempt bonds until such time that they are required for use by the Company.

As of May 31, 1992, the Company had $9,700,000 in cash and marketable securities and a current ratio of 4.8:1. Working capital increased $11,615,000 as of May 31, 1992, compared to May 31, 1991, attributable to the net proceeds of the initial public offering plus internally generated cash, and increased $903,000, compared to February 29, 1992.

The Company's operating cash flows constitute its primary source of liquidity and historically have been sufficient to fund its working capital and business expansion requirements. It expects to meet its future working capital, capital expenditure, and business expansion requirements from a combination of internal sources and the net proceeds of the initial public offering.

PART II - OTHER INFORMATION

Item 4. - Submission of Matters to Security Holders

On June 16, 1992, the Annual Meeting of Stockholders of the Company was held at which the stockholders of the Company re-elected each of the incumbent directors to a one-year term to expire at the 1993 Annual Meeting of Stockholders or when his successor is duly elected and qualified. The stockholders also voted to approve an amendment to the Company's 1987 Incentive Stock Option Plan and 1987 Non-Statutory Stock Option Plan to increase the aggregate number of shares for which options may be granted thereunder by 350,000. The amendment was approved by a stockholder vote of 3,243,209 shares "FOR," 342,598 shares "AGAINST" and 1,018,534 shares "ABSTAIN."

Item 6. - Exhibits and Reports on Form 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

No reports on Form 8-K were filed by the Registrant during the fiscal quarter ended May 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

REHABCARE CORPORATION

July 10, 1992

By _____
John R. Finkenkeller
Senior Vice President
and Treasurer
(Chief Accounting Officer)